

COUNTY COUNCIL
OF
HARFORD COUNTY, MARYLAND

Bill No. 04-12

Introduced by: Council President Wagner At the request of the County Executive

Legislative Day No. 04-11 Date: April 6, 2004

AN EMERGENCY BILL to authorize and empower Harford County, Maryland to borrow, on its full faith and credit, and issue and sell its bonds or other form of indebtedness therefore, in an amount not to exceed Two Hundred Ten Thousand Dollars (\$210,000) principal amount, the proceeds thereof to be used for the study, design and expansion, reconstruction, rehabilitation, renovation and improvement of the Old Joppa Road Sewer Petition Sewer project ("Project") as described in the Annual Budget and Appropriation Bill, as amended, Bill No. 00-16 and 01-9, for the year ended June 30, 2001 and June 30, 2002, respectively and as described in this Bill (collectively the "Project") in accordance with Section 524 of the Charter of Harford County ("Charter") and Section 123-40 and Section 256-26 of the Code of Harford County ("Code") or as otherwise permitted by law; authorizing the form of

By the Council, April 6, 2004

Introduced, read first time, ordered posted and public hearing scheduled

on: May 4, 2004

at: 6:15 p.m.

By order: Barbara J. Ruth, Council Administrator

PUBLIC HEARING

Having been posted and notice of time and place of hearing and title of Bill having been published according to the Charter, a public hearing was held on May 4, 2004, and concluded on May 4, 2004.

Barbara J. Ruth, Council Administrator

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW. [BRACKETS] indicate matter Deleted from existing law. Underlining indicates Language added to bill by amendment. Language Lined through indicates matter stricken out of Bill By amendment.

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instrument by which any indebtedness or financing obligation is to be evidenced, the manner by which any indebtedness, line of credit, financing lease or similar obligation may be secured, the method for determining rate(s) of interest to be paid, and generally for such other matters as may be deemed appropriate by the County Council of Harford County, Maryland in connection herewith; and authorizing the County Executive of Harford County, Maryland by Executive Order, to determine the form of various documents as are necessary to implement the financing authorized herein, the manner of issuance and delivery of any evidences of indebtedness, the payment of all necessary expenses in connection therewith, the method by which such evidences of indebtedness shall be sold, maturity schedule,

By the Council, April 6, 2004

Introduced, read first time, ordered posted and public hearing scheduled

on: _____

at: _____

By order: _____, Council Administrator

PUBLIC HEARING

Having been posted and notice of time and place of hearing and title of Bill having been published according to the Charter, a public hearing was held on _____, and concluded on _____.

_____, Council Administrator

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redemption provisions, authorizing the appointment of certain agents; and otherwise generally relating to the issuance, sale, delivery and payment of any such evidences of indebtedness or financing obligations; providing that such indebtedness shall be issued upon the full faith and credit of Harford County, Maryland; providing that the indebtedness may be incurred pursuant to private sale, without the necessity of public bid to the United States Department of Agriculture, Rural Development Program, Rural Utility Service ("USDA"), providing for the issuance of bond anticipation notes upon passage of a resolution by the County Council of Harford County, Maryland; approving the interest rate or rates on said bond anticipation notes for all or a portion of the projects described herein, for which the proceeds of sale of the bond anticipation notes shall be used; providing that within twelve (12) months after the issuance of the bond anticipation notes, or any renewal thereof, the County Council of Harford County, Maryland shall authorize

By the Council, April 6, 2004

Introduced, read first time, ordered posted and public hearing scheduled

on: _____

at: _____

By order: _____, Council Administrator

PUBLIC HEARING

Having been posted and notice of time and place of hearing and title of Bill having been published according to the Charter, a public hearing was held on _____, and concluded on _____.

_____, Council Administrator

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the issuance of bonds to pay said bond anticipation notes; providing for disbursement of the proceeds of the sale of such bonds and for the levying of charges, assessments and all taxes necessary to provide payment of the principal of and interest on such bonds; providing that certain additional matters may be determined by executive order of the County Executive; providing the method of fixing the interest rates to be borne by such bonds and generally providing for and determining various matters in connection therewith; and generally relating to funding of certain capital projects; providing that this Bill is deemed to be of an emergency nature affecting the public health, welfare and safety of the citizens of Harford County, Maryland, to enable the indebtedness to be incurred for the Project to be treated as indebtedness for the fiscal year ending June 30, 2004.

By the Council, April 6, 2004

Introduced, read first time, ordered posted and public hearing scheduled

on: _____

at: _____

By order: _____, Council Administrator

PUBLIC HEARING

Having been posted and notice of time and place of hearing and title of Bill having been published according to the Charter, a public hearing was held on _____, and concluded on _____.

_____, Council Administrator

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WHEREAS, in accordance with the provisions of Section 406 of the Charter of Harford County, the Director of Planning has heretofore transmitted to the County Executive the recommendations of the Planning and Advisory Board for certain Capital Improvements; and

WHEREAS, in accordance with the provisions of Section 505 of the Charter of Harford County, the County Executive has reviewed such recommendations in light of the existing capital programs and the County Executive and the Director of Administration have included such recommendations for capital improvements, as amended, in the proposed Capital Program which has been submitted to the County Council of Harford County, Maryland and the County Council of Harford County, Maryland has adopted the Capital Program and Capital Budgets for the years ended June 30, 2001 and June 30, 2002, pursuant to Bill Nos. 00-16 and 01-9, as amended, respectively; and

WHEREAS, upon request of the County Executive and Resolution of the County Council of Harford County, Maryland, Harford County may sell bond anticipation notes in an amount not greater than the amount of bonds authorized herein, in anticipation of the subsequent sale of the bonds, for all or a portion of the cost of the projects described herein in accordance with the provisions of Article 31, Section 12 of the Annotated Code of Maryland (1997 Replacement Volume and 2002 Supplement); and

WHEREAS, as a part of the said Capital Program and the said Capital Budget, it is necessary that Harford County, Maryland, borrow a sum not exceeding Two Hundred Ten Thousand Dollars (\$210,000) to be used to finance the cost of the design, study and acquisition, construction, reconstruction, improvement, extension, site acquisition, architectural and engineering services, and furnishings and equipment for the Project, including financial, legal and planning expenses related thereto; and

WHEREAS, the County Council of Harford County, Maryland has authority to incur debts on behalf of the County; and

WHEREAS, the County Council of Harford County, Maryland is hereby authorized to enact a Bill adopted in accordance with Section 524 of the Charter of Harford County and other applicable provisions of law providing for the issuance and sale and for the designation, form, tenor, denomination, maturities, and the interest rates payable on any bonds or other form of indebtedness issued under this Bill; and to levy annually *ad valorem* taxes upon the assessable property within the county sufficient, together with other taxes and other available funds, to provide for the payment of the interest on and principal of any bonds so issued; and

WHEREAS, the proposed bond issue or other form of indebtedness is within the legal limitation on the indebtedness of Harford County, Maryland; and

WHEREAS, it is necessary to provide funds for the construction, reconstruction, improvement, extension, acquisition, alteration, repair and modernization, the cost of acquiring any sites, making site improvements, architectural and engineering services, including preparation of plans, drawings and specifications, the development of the grounds and landscaping thereof, financial, legal and planning expenses and all customary appurtenances and equipment for the Project; and

WHEREAS, after written recommendation of the County Executive, public hearing and affirmative vote of at least four (4) members of the County Council of Harford County, Maryland, the capital budgets authorizing the Project has been amended and adopted; and

WHEREAS, the financing or indebtedness by private sale to USDA herein authorized, including the aggregate principal amount of bonds or other indebtedness in an amount not to exceed Two Hundred Ten Thousand Dollars (\$210,000), and interest rate(s), maturity schedule, redemption provisions, form of bond, and date of sale, unless the bond(s) are sold to USDA shall be evidenced and incurred pursuant to an Executive Order of the County Executive, pursuant to this Bill.

WHEREAS, the County anticipates that the loan herein authorized will be made through the USDA pursuant to a letter of conditions dated April 17, 2000 as supplemented on July 26, 2000 (the "USDA Letter of Conditions") attached hereto as Exhibit A.

NOW, THEREFORE, IN ACCORDANCE WITH THE PROVISIONS OF THE CHARTER, THE CODE AND THE LAWS OF THE STATE OF MARYLAND:

SECTION 1. Be it enacted by the County Council of Harford County, Maryland that, acting pursuant to the authority of the Charter, the Code and the laws of the State of Maryland, Harford County, Maryland (the "County") hereby authorizes and approves the incurring of debt or the payment of purchase price or rental installments for the purpose of financing a portion of the capital cost of the Project in the amount of Two Hundred Ten Thousand Dollars (\$210,000). The bonds shall be known and described as Harford County, Maryland Old Joppa Road Sewer Project Bonds.

SECTION 2. And be it further enacted by the County Council of Harford County, Maryland that unless the indebtedness is incurred pursuant to private sale with USDA, prior to the issuance, sale and delivery of any bonds, bond anticipation notes, notes, evidences of indebtedness, line of credit, financing lease or installment purchase obligation in reliance on this Bill, the County Council of Harford County, Maryland shall (without limitation) determine administratively the Resolution:

(a) the form of instruments or agreements by which the debt or financing authorized herein shall be evidenced (including, but not limited to, bonds, bond anticipation notes, notes, book entry, community participation bonds, letters of credit, trust agreements, trust indentures, financing or installment purchase lease or similar financing agreement, or participation in any "bond bank" or bond pooling arrangement administered by the State of Maryland or a subsidiary entity of it);

(b) the manner, if any, by which any indebtedness or financing shall be secured by revenues, assessments, benefit assessments, hook up charges, development fees and other revenues

and receipts of the water and sewer operations of the County or other revenues of the County used or dedicated to pay interest and/or principal on debt of the County incurred for water or sewer purposes, including, but not limited to, a letter or letters of credit, bond or other such insurance and a pledge of the full faith and credit and unlimited taxing power of the County);

(c) the rate or rates of interest or method of determining such rate or rates; and

(d) whether the financing is to be accomplished by public sale, private (negotiated) sale or by private placement.

The Resolution shall be deemed to be of an administrative nature and shall be effective upon the date specified in the Resolution.

SECTION 3. And be it further enacted by the County Council of Harford County, Maryland that the County Executive of Harford County, Maryland shall determine the following matters by Executive Order:

(a) the principal amounts, date, denominations, maturity payment provisions and prepayment, tender and/or redemption provisions (if any) and other terms and conditions thereof;

(b) the substantially final form and contents and consent to the distribution (and shall authorize the execution and delivery, where applicable) of various agreements and documents as are necessary to implement the financing authorized herein, including, but not limited to, a Preliminary Official Statement and/or an Official Statement if deemed appropriate by the County Executive, and in the event any evidence of indebtedness is sold through competitive bidding, a Notice of Sale, and in the event any evidence of indebtedness is sold by private (negotiated) sale, a Purchase Contract with the Underwriter(s) thereof, and if any indebtedness is issued in book entry form, securities depository agreements, (collectively the "Documents"), required for the issuance, sale and delivery of any evidence of indebtedness or the completion of the financing authorized

herein, which Documents shall contain such provisions as may be required by law or to consummate the financing authorized herein;

(c) the manner in which any evidence of indebtedness, lease financing or installment purchase obligation shall be executed, sealed and attested (which may be by facsimile signature and/or seal);

(d) provision for the payment of all necessary expenses of preparing, printing and selling any evidence of indebtedness and the Documents including, without limitation, any and all costs, fees and expenses incurred by or on behalf of the County in connection with the authorization, issuance, sale and delivery of any bonds or notes, and all costs incurred in connection with the development of the Documents, including the fees of counsel to the County, and compensation to any persons (other than full-time employees of the County) or entities performing services for or on behalf of the County in connection therewith and in connection with all other transactions contemplated by this Bill regardless of whether the proposed financing is consummated;

(e) such other matters in connection with the consummation of the financing transactions contemplated by this Bill as may be deemed appropriate by the County Executive of Harford County, Maryland, including (without limitation) the appointment of agents (including, but not limited to, trustees, paying agents, indexing agents and/or registrars) in connection with the financing, the execution, acknowledgment, sealing and delivery of such other and further agreements, documents and instruments, and the authorization of the officials of the County to take any and all actions, as are or may be necessary or appropriate to consummate the transactions contemplated by this Bill in accordance with the terms hereof and of the Resolution.

The Executive Order shall be effective upon the date specified in the Executive Order.

SECTION 4. And be it further enacted by the County Council of Harford County, Maryland that in the event that the Bonds are issued and sold by the County to the USDA, pursuant to the USDA Letter of Conditions, pursuant to which the rate of interest shall be the rate of interest established by the USDA at the time of loan approval or at the time of loan closing, the County Executive shall administratively, determine:

- (a) The rate of interest to be paid on the Bond;
- (b) The maturity schedule for payment of principal and interest by the County;
- (c) The form of payment to be made by the County;
- (d) The terms of the Bond to be issued to USDA; provided however, the form of the Bonds shall be substantially in the form attached hereto as Exhibit B.

(e) The source of funds for payment of the Bonds, including hook up charges, development fees, BNR fees and other revenues of the water and sewer system of the County, special assessments or charges made by the County to the owners of property using the water and/or sewer system subject to the financing by USDA.

SECTION 5. And be it further enacted by the County Council of Harford County, Maryland that authority is hereby conferred respectively on the County Executive of the County, the Director of Administration, the Treasurer, the County Attorney and the Council Administrator of the County Council of Harford County, Maryland, or any of them, and they are hereby directed to take the following actions on behalf of the County:

- (a) to execute, acknowledge, seal and deliver the Documents substantially in the forms determined administratively by the County Council of Harford County, Maryland in the Resolution; and

(b) to execute, acknowledge, seal and deliver such other and further certificates, certifications, agreements, documents and instruments and take such other acts as they or any one or more of them may deem necessary or appropriate to consummate the transactions contemplated by this Bill in accordance with the provisions hereof and of the Resolution.

SECTION 6. And be it further enacted by the County Council of Harford County, Maryland that the financing authorized herein was sold by private sale to USDA, pursuant to the USDA letter of conditions, shall be paid, both principal and interest, and any other expenses incurred with respect to such financing pursuant to assessments made to the owners of properties affected by the Project and/or revenues, assessments, benefit assessments, hook up charges, development fees and other revenues and receipts for the water and sewer operations of the County, as determined by the County Executive of the County.

SECTION 7. And be it further enacted by the County Council of Harford County, Maryland that the Treasurer, or his authorized deputy, is hereby authorized and empowered to prepare and distribute copies of the Documents to any person who may, in his judgment, be interested in participating in the financing of the Project or who may request the same or information with respect thereto; provided, however, that any preliminary official statement if deemed appropriate by the County Executive and related material shall be clearly marked to indicate that they are subject to completion and amendment.

SECTION 8. And be it further enacted by the County Council of Harford County, Maryland that, to the extent the revenues described in Section 5 of this Bill is insufficient to pay the principal of and interest on the indebtedness herein authorized, the County hereby covenants and agrees, with each of the holders, from time to time, of any of the bonds or other indebtedness, that it shall promptly cause to be levied against all assessable property within the County annually, so long as

any of the bonds or other indebtedness are outstanding and not paid, an *ad valorem* tax sufficient in rate and amount to provide for payment of such principal of, premium (if any) and interest on the bonds or other indebtedness when due. Such tax shall be levied in accordance with the Charter. The County, by the passage of this Bill, hereby covenants and agrees properly and promptly to perform all of the respective acts and duties defined in the Charter for the levy and collection of the aforesaid *ad valorem* tax upon all the assessable property within the corporate limits of the County, as the levy and collection of such a tax becomes necessary in order to provide for the payment of principal of, premium (if any) and interest on the bonds or other indebtedness.

SECTION 9. And be it further enacted by the County Council of Harford County, Maryland that if the County Council of Harford County, Maryland determines in the Resolution that it is in the best interests of the County to sell any evidence of indebtedness or lease financing or installment purchase obligation to any person or entity other than USDA by private (negotiated) sale, the County Council of Harford County, Maryland hereby authorizes (a) the appointment of an underwriter (the "Underwriter") in connection with the sale thereof, and (b) the payment by the County to the Underwriter out of the proceeds of the sale thereof or otherwise for services rendered in connection therewith, such compensation to be determined in the Resolution.

SECTION 10. And be it further enacted by the County Council of Harford County, Maryland that the County Executive is hereby authorized and empowered for and on behalf of the County (a) to cause the preparation, printing, execution and delivery of the Documents, each substantially in the form provided in the Resolution or in the Executive Order of the County Executive, with such modifications, supplements or amendments thereto as may be recommended by counsel; and (b) to do all such things as may be necessary or desirable in the opinion of the County Executive in connection therewith.

SECTION 11. And be it further enacted by the County Council of Harford County, Maryland that nothing herein contained shall authorize the expenditure of County funds until such time as such expenditure shall have been appropriated by the County Council of Harford County, Maryland, and this Bill shall not be construed as authorizing or approving any project not otherwise authorized or approved by all appropriate legal authorization.

SECTION 12. And be it further enacted by the County Council of Harford County, Maryland that unless changed by the Resolution or the Executive Order, if the indebtedness herein authorized is represented by bonds: the bonds shall be issued pursuant to the authority of this Bill, the date of the bonds for a term not to exceed forty (40) years shall be determined by executive order of the County Executive and the indebtedness, if sold to USDA, shall be substantially in the form attached hereto as Exhibit B, with such changes as the County Executive may determine to be in the best interest of the County.

SECTION 13. Be it further enacted by the County Council of Harford County, Maryland that if the indebtedness herein authorized is represented by bonds, the bonds shall bear interest at the rate or rates (i) if the bonds are sold at public sale, named by the successful bidder for the bonds in accordance with the Notice of Sale, upon written recommendation of the County Executive of Harford County, Maryland (the "County Executive"), by administrative resolution of the County Council of Harford County, Maryland, (ii) if the bonds are sold to USDA, at the rate or rates determined in accordance with the USDA Letter of Conditions, or (iii) if the bonds are sold at private sale but not to USDA, at a rate and subject to such terms and provisions as may be approved by the County Council of Harford County, Maryland. The bonds, when issued, may be executed in the name of the County, by the facsimile signature of the County Executive, and a facsimile of the corporate seal of the County shall be imprinted on each of the bonds attested by the facsimile

signature of the Director of Administration of the County and the manual signature of an authorized officer of the Bond Registrar. The facsimiles of said signature and said seal shall be engraved, printed or lithographed on each of the bonds in accordance with, and pursuant to the authority of Sections 2-301 through 2-306 inclusive of the State Finance and Procurement Article of the Annotated Code of Maryland (2001 Replacement Volume and 2003 Supplement). If the indebtedness is represented by bonds, the bonds shall be subject to registration as to principal and interest, in the name or names of the owner or owners thereof on books kept for that purpose at the principal office of the Bond Registrar and the principal of the bonds shall be payable upon presentation and surrender thereof at the principal office of the Paying Agent or the ownership of the indebtedness may, pursuant to Executive Order of the County Executive, be maintained by a book entry system. The Bond Registrar and Bond Paying Agent shall be determined by Executive Order of the County Executive. Payment of interest on the bonds shall be made by the Paying Agent on each payment date, to each person appearing on the registration books of the County, maintained by the Bond Registrar, as the registered owner thereof, by check or draft mailed to each such registered owner at his or her address as it appears on such registration books. There shall be printed on each bond the text of the approving legal opinion of bond counsel with respect to the bonds.

SECTION 14. Be it further enacted by the County Council of Harford County, Maryland that if the indebtedness herein authorized is represented by bonds sold at public sale, the bonds shall be sold by bids on sealed proposals to the bidder therefor for cash whose bid is deemed to be for the best interest of Harford County, Maryland, after giving at least ten (10) days' public notice by advertisement inserted twice in one or more daily or weekly newspapers having a general circulation in the County, said sale to be held not sooner than ten (10) days following the first insertion of said advertisement. The Award of the Bonds if sold at public sale, if made, shall be approved by

1 resolution of the County Council of Harford County, Maryland after written recommendation of the
2 County Executive, to the bidder offering the lowest interest cost determined in accordance with the
3 true interest cost method (TIC). The sale of the bonds, shall be held at the office of the Treasurer of
4 Harford County, Maryland, or on such date and at such time and location as may be provided by
5 Executive Order of the County Executive of Harford County, Maryland.

6 SECTION 15. Be it further enacted by the County Council of Harford County, Maryland that
7 if the bonds are sold at public sale the official Notice of Sale if deemed appropriate by the County
8 Executive shall be in substantially the form approved by Executive Order of the County Executive of
9 Harford County, Maryland.

10 SECTION 16. Be it further enacted by the County Council of Harford County, Maryland
11 that, to the extent the revenues described in Section 2 of this Bill are insufficient to pay the principal
12 of and interest on the Bonds, for the purpose of paying the interest on, premium, (if any) and
13 principal of the bonds or other indebtedness authorized by this Bill, there is hereby levied and there
14 shall hereafter be levied in each fiscal year that any of the bonds or other indebtedness are
15 outstanding, *ad valorem* taxes on real and tangible personal property and intangible property subject
16 to taxation by the County without limitation on rate or amount; and, in addition, upon such other
17 intangible property as may be subject to taxation by the County within limitations prescribed by law,
18 in an amount sufficient together with funds available from other sources, to pay the annual interest
19 on the outstanding bonds or other indebtedness and to redeem the bonds or other indebtedness
20 maturing during the succeeding year; and the full faith and credit and the unlimited taxing power of
21 the County are hereby irrevocably pledged to the punctual payment of the principal of and interest on
22 the bonds or other indebtedness as and when they mature. The County, by the passage of this Bill
23 hereby covenants and agrees properly and promptly to perform all of the respective acts and duties

defined in this Bill for the levy and collection of the aforesaid *ad valorem* tax upon all the assessable property within the corporate limits of the County, as the levy and collection of such a tax becomes necessary in order to meet the debt service requirements of Harford County Old Joppa Sewer Petition Project Bonds of 2004. By this Bill, the County agrees to take all action it may be legally authorized and empowered to take in order to enforce, in any year in which any of the bonds or other indebtedness are outstanding, the guarantee of such bonds or other indebtedness by the County.

SECTION 17. Be it further enacted by the County Council of Harford County, Maryland that the County is hereby authorized and empowered from time to time to issue its Bond Anticipation Note or Notes on the full faith and credit and unlimited taxing power of the County in an amount not exceeding Two Hundred Ten Thousand Dollars (\$210,000), the net proceeds of such sale to be used to finance part or all of the cost of the Project; the sale of such Notes to be upon such terms as may be directed by resolution of the County Council of Harford County, Maryland.

Such Bond Anticipation Note or Notes or other evidence of indebtedness shall not have a maturity in excess of twelve (12) months from the date of issue.

The Treasurer of Harford County, Maryland, prior to the issuance of any such Bond Anticipation Note or Notes or other evidence of indebtedness of the County shall present the terms of such notes to the County Council of Harford County, Maryland for approval by Resolution of the County Council of Harford County, Maryland prior to the issuance of such Bond Anticipation Note or Notes.

The Bond Anticipation Note or Notes will bear interest at the rate or rates so negotiated by the Treasurer and approved by Resolution of the County Council of Harford County, Maryland and the Bond Anticipation Note or Notes when issued shall be issued in the name of the County by the signature of the County Executive, the corporate seal of the County shall be imprinted on such Bond

Anticipation Note or Notes and such Bond Anticipation Note or Notes shall be used only for those purposes approved in a Resolution of the County Council of Harford County, Maryland adopted subsequent to the adoption of this Bill.

The Bond Anticipation Note or Notes shall not be issued in an amount greater than the amount of bonds or other indebtedness authorized in anticipation of the sale of which the Bond Anticipation Note or Notes are issued and sold.

The principal of and interest on the Bond Anticipation Note or Notes shall be payable out of the first proceeds of sale of the bonds, or from the tax or other revenue which the County shall previously determine to apply to the payment of the bonds and interest thereon.

Twelve (12) months interest on the Bond Anticipation Note or Notes or any renewal thereof may be paid from the proceeds of the Bond Anticipation Note or Notes from the proceeds of sale of the bonds accounting from the initial date of issue thereof.

By resolution adopted by the County Council of Harford County, Maryland, the County may provide for the renewal of the Bond Anticipation Note or Notes at maturity with or without resale.

Immediately after the sale of the Bond Anticipation Note or Notes and approval by resolution of the County Council of Harford County, Maryland, the proceeds of sale of such Bond Anticipation Note or Notes, after payment of expenses of issuing the same, shall be paid to the Department of the Treasury of Harford County, Maryland. The proceeds of sale of the Bond Anticipation Note or Notes shall be expended only to finance the Projects as defined above.

SECTION 18. Be it further enacted by the County Council of Harford County, Maryland that pursuant to Treasury Regulations 1.150-2, governing the use of bond proceeds for the purpose of reimbursing expenditures paid prior to the issuance of bonds, and as permitted by Treasury Regulations 1.150-2(e)(1), the Treasurer of Harford County, Maryland is hereby duly designated to

1 make declarations of Official Intent on behalf of the County. The County expects that all or a part of
2 the capital expenditures for the Projects will be paid prior to the issuance of the Bonds, and that the
3 proceeds of the Bonds will be used to reimburse the County for capital expenditures paid prior to the
4 issuance of the Bonds. The County reasonably expects to reimburse a portion of the capital
5 expenditures for the Projects with proceeds of the Bonds, in the maximum principal amount of Two
6 Hundred Ten Thousand Dollars (\$210,000), and this Bill shall be available for public inspection at
7 the offices of the County during regular business hours and in accordance with the laws of the State
8 of Maryland and the County, regarding access to public records.

9 SECTION 19. Be it further enacted by the County Council of Harford County, Maryland that
10 the County covenants and agrees with the registered owners, from time to time, of the Bonds as
11 follows:

12 (a) The County covenants that it will not make any use of the proceeds of any of the
13 Bonds or any moneys, securities or other obligations on deposit to the credit of the County or
14 otherwise which may be deemed by the Internal Revenue Service to be proceeds of any of the Bonds
15 pursuant to the Internal Revenue Code of 1986, as amended, and Income Tax Regulations thereunder
16 (collectively, the "Code"), which would cause any of the Bonds to be "arbitrage bonds" or "private
17 activity bonds" within the meaning of the Code.

18 (b) The County further covenants that it will comply with those provisions of the
19 Code which are applicable to the Bonds on the date of issuance of the Bonds and which may
20 subsequently lawfully be made applicable to the Bonds. To the extent that provisions of the Code
21 apply to only a portion of the Bonds, proceeds of the Bonds or other moneys, securities or other
22 obligations deemed to be proceeds, it is intended that the covenants of the County contained in this

Section 18 be construed so as to require the County to comply with the provisions of the Code only to the extent of such applicability.

(c) The County further covenants that it will not (i) take any action, (ii) fail to take any action, or (iii) make any use of the proceeds of any of the Bonds which would cause the interest on any of the Bonds to be or become subject to federal income taxes in the hands of the registered holders of any of the Bonds.

(d) The County further covenants, in order to assist bidders in complying with S.E.C. Rule 15c2-12(b)(5), pursuant to a continuing disclosure certificate (the "Continuing Disclosure Certificate") signed by the County Executive, Treasurer and Director of Administration, to provide annual reports and notices of certain events. The undertaking of the County in the Continuing Disclosure Certificate shall be set forth in any Preliminary Official Statement and Official Statement if deemed appropriate by the County Executive and any amendment or supplement thereto.

SECTION 20. Be it further enacted by the County Council of Harford County, Maryland that upon recommendation of the County Executive, the County Council of Harford County, Maryland may adopt a resolution pursuant to Article 31, Section 2C of the Annotated Code of Maryland (1997 Replacement Volume and 2002 Supplement) authorizing the loan authorized to be incurred and the bonds authorized to be sold by this Bill, to be consolidated for sale and issued, sold and delivered as a single issue of bonds with other bonds authorized to be sold to finance capital projects described in the Annual Budget and Appropriation Bills, as amended.

SECTION 21. Be it further enacted by the County Council of Harford County, Maryland that the provisions of this Bill are severable, and if any provision, sentence, clause, section or part hereof is held illegal, invalid or unconstitutional or inapplicable to any person or circumstances, such illegality, invalidity or unconstitutionality, or inapplicability shall not affect or impair any of the

1 remaining provisions, sentences, clauses, sections or parts of this Bill or their application to other
2 persons or circumstances. It is hereby declared to be the legislative intent that this Bill would have
3 been passed if such illegal, invalid or unconstitutional provision, sentence, clause, section or part had
4 not been included herein, as if the person or circumstances to which this Bill or any part hereof are
5 inapplicable had been specifically exempted therefrom.

6 SECTION 22. And be it further enacted by the County Council of Harford County,
7 Maryland, that this Bill is of an emergency nature affecting the public health, welfare and safety of
8 the citizens of Harford County, Maryland, in order to record the indebtedness on the books of the
9 County for the fiscal year ending June 30, 2004, and shall take effect immediately upon its adoption
10 and approval by the County Executive.

EFFECTIVE: May 18, 2004

The Council Administrator of the Council does hereby certify
that fifteen (15) copies of this Bill are immediately available for
distribution to the public and the press.

_____, Council Administrator

HARFORD COUNTY BILL NO. 04-12

Brief Title Rural Development Loan & Bond – Old Joppa Road Sewer Petition

is herewith submitted to the County Council of Harford County for enrollment as being the text as finally passed.

CERTIFIED TRUE AND CORRECT

Barbara J. Ruth
Council Administrator

Date May 4, 2004

ENROLLED

Robert S. Wagner
Council President

Date May 4, 2004

BY THE COUNCIL

Read the third time.

Passed: LSD 04-14

Failed of Passage: _____

By Order

Barbara J. Ruth
Council Administrator

Sealed with the County Seal and presented to the County Executive for approval this 5th day of May, 2004 at 3:00 p.m.

Barbara J. Ruth
Council Administrator



BY THE EXECUTIVE

James M. Harbino
COUNTY EXECUTIVE

APPROVED: Date 5-18-04

BY THE COUNCIL

This Bill No. 04-12, having been approved by the Executive and returned to the Council, becomes law on May 18, 2004.

EFFECTIVE DATE: May 18, 2004

Barbara J. Ruth
Barbara J. Ruth, Council Administrator

Mar 17 04 11:09a

HARFORD COUNTY W&S

410-638-3024

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United States
Department of
Agriculture

Rural
Development

4607 South DuPont Highway
P.O. Box 400
Camden, Delaware 19934
PH (302) 697-4324
FAX (302) 697-4388
TTY (302) 697-4303

EXHIBIT A

July 26, 2000

James M. Harkins, County Executive
101 South Main Street
Bel Air, MD 21014

RE: Revised Letter of Conditions - Old Joppa Road Sewer

Dear Mr. Harkins:

This letter supplements and supersedes, to the extent of conflicting requirements, the Letter of Conditions issued to you on April 17, 2000. The Conditions of this letter must be understood and agreed to by you before further consideration may be given to the application. This letter is being issued because of project cost overruns as presented in your revised application.

Any further changes in sources of funds, project cost, scope of service, or any other significant changes in the project or application must be reported and approved by the Rural Utilities Service (RUS) by written amendment to this letter. Notification to RUS should be at the earliest possible date, as such changes may result in additional loan approval conditions. Any changes not approved by RUS may be cause for discontinuing processing of the application. This Letter of Conditions is issued based upon present plans and specifications on file with RUS.

This letter is not to be considered as loan approval or as a representation as to the availability of funds. The docket may be completed on the basis of the amounts indicated in Number One below.

The requirements which must be fully understood and complied with are as follows:

1. Amount of Assistance

- a. The Rural Utilities Service loan amount will not exceed \$210,000.00.
- b. The Rural Utilities Service grant amount will not exceed \$300,000.00.

Rural Development is an Equal Opportunity Lender.
Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

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HARFORD COUNTY W&S

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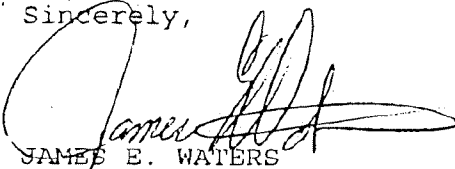
- c. The Maryland Department of Environment grant will not exceed \$300,000.00.
- d. The Community Development Block Grant will not exceed \$290,000.00.
- d. It is to be clearly understood that the project cost will not exceed \$1,100,000.00

All other conditons in our letter of April 17, 2000 remain in effect. Two additional copies of this letter are attached for your usc. We will be available to meet with you, your attorney, and engineer to discuss the items set forth above.

Please complete and return the attached Form FmHA 1942-46, Letter of Intent to Meet Conditions, if you desire further consideration be given your application.

If you have any questions, please contact this office at (302) 697-4324.

Sincerely,



JAMES E. WATERS

Community and Business Programs Director

Attachments

sh/loc/oldjoppal

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HARFORD COUNTY W&S

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United States
Department of
Agriculture

Rural
Development

4607 South DuPont Highway
P.O. Box 400
Camden, Delaware 19934
PH (302) 697-4324
FAX (302) 697-4388
TTY (302) 697-4303

April 17, 2000

James M. Harkins, County Executive
101 South Main Street
Bel Air, MD 21014

RE: Old Joppa Road Sewer

Dear Mr. Harkins:

This letter establishes conditions which must be understood and agreed to by you before further consideration may be given to the application. Any changes in the project cost, source of funds, scope of services or any other significant changes in the project or application must be reported to and approved by Rural Utilities Service (RUS) by written amendment to this letter. Notification to RUS should be at the earliest possible date as such changes may result in additional approval conditions. Any changes not approved by RUS shall be cause for discontinuing processing of the application. This letter of conditions is issued based upon present plans and specifications on file with RUS.

This letter is not to be considered as an approval or as a representation as to the availability of funds. The docket may be completed on the basis of the amount indicated below.

If RUS makes the loan you may make a written request that the interest rate be the lower of the rate in effect at the time of loan approval or the time of loan closing. If you do not request the lower of the two interest rates, the interest rate charged will be the rate in effect at the time of loan approval. The loan will be considered approved on the date a signed copy of RD 1940-1, "Request for Obligation of Funds", is mailed to you. If you want the lower of the two rates, your written request should be submitted to RUS as soon as practical. In order to avoid possible delays in loan closing such a request should ordinarily be submitted at least 30 calendar days before loan closing.

Please complete and return the attached RD 1942-46, "Letter of Intent to Meet Conditions", if you desire that further consideration be given your application.

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James M. Harkins, County Executive
Harford County

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If the conditions set forth in this letter are not met within 150 days from the date of this letter, RUS reserves the right to discontinue the processing of your application.

The requirements which must be fully understood and complied with are as follows:

Amount of Assistance

The Rural Utilities Service loan amount will not exceed \$355,000.

The Rural Utilities Service grant amount will not exceed \$300,000.

The Community Development Block Grant amount will not exceed \$145,000.

The State funding amount will not exceed \$300,000.

It is to be clearly understood that the total project cost will not exceed \$1,100,000 and that all funds regardless of source shall be available prior to RUS loan closing or start of construction, whichever occurs first. In the event funds are obtained from other sources the application will have to be revised to reflect any changes and all changes will have to be approved by RUS.

The above assistance was approved based upon the following number of users.

Residential EDU's	- 42
Non-Residential EDU's	- 0
Total EDU's	- 42

Any change in the above number of users must be reported to the RUS Loan Official. The borrower shall submit in writing as soon as available, but prior to construction or loan closing, all existing or proposed rates, usage agreements or commitments to the RUS Loan Official for review.

Organization and Business Operations

1. The Borrower must comply with all State and Local laws regarding the borrowing of money, giving security, and raising revenue for the repayment thereof.
2. The RUS, USDA Office of General Counsel will review all legal instruments and enabling legislation related to the formation of the Borrower and all ordinances giving the Borrower authority to construct, maintain and operate the facility.
3. The Borrower will be fully responsible for the continuous operation and maintenance of the system in an efficient and economical manner.

James M. Harkins, County Executive
Harford County

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4. The Borrower will as necessary adjust its operating costs and service charges to provide for adequate operation and reserves.
5. The Borrower will continue to operate, maintain, set rates and policy of the facility for the life of the loan.
6. The Borrower agrees to submit for RUS approval all agreements and facility management plans, if required, for the life of the loan.

Should borrower decide to subrogate their operation and maintenance responsibilities to the service area, the prepared RFP shall require RUS's prior written concurrence. The borrower must provide details as to why it can no longer carry out its responsibilities to operate and maintain the system. The RFP must clearly define all areas of operation and maintenance that the borrower wishes to subrogate and have RUS and the responsible state agency's written concurrence prior to advertising the proposed RFP.

7. The Borrower will not borrow additional debt nor expand the facility through debt without the prior written concurrence of RUS.
8. The Borrower shall maintain and operate the facility in accordance and compliance with State, Local, and Federal (permits) laws and regulations which have control of the organization, diversion, storage and use of water and disposal of excess water.

Rates, Charges and Operations

The borrower agrees to establish the user rates and charges as provided in the project feasibility within the RUS loan docket and to provide for the receipt of adequate revenues to meet the requirements of debt service, operations and maintenance, establishment of adequate reserves and to continuously operate and maintain the facility in good condition.

In consideration of the receipt of U.S. Government/RUS/loan/grant funds for the construction of the proposed facility, the Borrower agrees to establish fair, reasonable and equitable rates to all users within the service area and to serve all users that can reasonably and economically be served within the Borrower's system service area.

As a part of this project funding, the Borrower is acquiring and implementing water meters. The Borrower agrees to establish rates and revenue for the system and water consumption based on the meter

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Harford County

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readings. The Borrower shall, at a minimum, read the meters and bill quarterly. The Borrower shall establish a budget operations and maintenance list item on water prepared and sold with accounting reconciliation of any water loss.

Terms of the Loan and Grant

The loan will be repayable within 30 years from the date of closing. Payments will be made on a quarterly basis. Quarterly payments will be forwarded directly to this office, as directed by the undersigned.

The Borrower must establish RUS's Preauthorized Debt (PAD) payment process. The PAD process is a payment method in which the borrower authorizes the RUS loan payment to be withdrawn electronically from the borrower's bank account on the exact day that the loan installment is due. The Borrower must sign the attached PAD form authorizing this process and return to the RUS loan official.

It will be necessary for the borrower to execute RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)". This form must be completed in its entirety including the certification.

Attached is a copy of RUS Bulletin 1780-12, "Water and Waste System Grant Agreement", for your review. You will be required to execute a completed form at the time of grant closing.

After providing for all authorized costs, any remaining RUS project funds will be considered to be RUS grant funds and refunded to RUS. If the amount of unused RUS project funds exceed the RUS grant, that part would be RUS loan funds.

Evidence and Securing the Loan

The loan will be evidenced and secured in accordance with the relevant statutory requirements, which will be reviewed by the Office of General Counsel, who will issue closing instructions.

The applicant must provide a legal opinion relative to the title to rights-of-way and easement. Form RD 442-22, "Opinion of Counsel Relative to Rights-of-Way", may be used. All easements and rights-of-way must be provided prior to RUS awarding any construction contracts. The borrower should provide evidence that the easements and rights-of-way have been recorded.

The borrower must issue a general obligation bond for the amount borrowed. The borrower should be aware that a recognized bond counsel must be employed to prepare all bond documents. The Bond Counsel should be instructed to provide the RUS Loan Official with two copies of the following, prior to the start of any construction:

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James M. Harkins, County Executive
Harford County

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1. Form of the bond
2. Form of the Bond Resolution specifying the details of the bond.
3. Form of the Bond Counsel's opinion regarding the validity of the bond and its exemption from federal and state income taxation. The draft opinion must disclose the name of the recognized bond counsel.

The bond counsel should be instructed to prepare all documents in accordance with RUS Instruction 1780-80 through 1780-95. Two copies of the complete bond transcript must be given to RUS at the time the bond is issued.

Insurance Requirements:

The borrower must provide evidence of adequate insurance and fidelity bond coverage by loan closing or start of construction, whichever occurs first. This may consist of a listing of policies and coverage amounts in year end reports. The borrower is responsible for updating and/or renewing policies or coverage which expire between submissions to RUS. Any monitoring of insurance and fidelity bond coverage by RUS is solely for the benefit of RUS and does not relieve the borrower of its obligation under the loan resolution to maintain such coverage.

Fidelity Bond

The borrower will provide fidelity bond coverage for all persons who have access to funds. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of coverage required by RUS will normally approximate the total annual debt service requirements for the RUS loan. Form RD 440-24, "Position Fidelity Schedule Bond", may be used.

The borrower will carry suitable worker's compensation insurance for all employees in accordance with applicable State laws.

Real estate (fire and extended coverage) will be maintained on all structures. For clarification on insurance requirements refer to RUS Instruction 1780.39(g).

The borrower must provide flood insurance on all facilities located in special flood and mudslide prone areas.

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Records, Reports, and Audits

1. Before loan closing or start of construction, whichever occurs first, the Borrower shall provide to and obtain approval from the RUS Loan Official for its accounting and financial reporting system, including the agreement with its auditor. RUS Bulletin 1780-30 provides guidance on completing audits for the Agency's purpose.
2. The borrower will provide for reports as outlined in RUS Instruction 1780.47 and RUS Bulletin 1780-30. An annual audit must be prepared in accordance with generally accepted government auditing standards (GAGAS), using the publication, "Standards for Audit of Governmental Organizations, Programs, Activities and Functions", developed by the Comptroller General of the United States in 1981, and any subsequent revisions. In addition, the audits are also to be performed in accordance with various Office of Management and Budget (OMB) Circulars and RUS requirements as specified below:
3. For loans to a borrower that expends \$300,000 or more in a year in Federal awards, an audit must be performed in accordance with OMB Circular A-133 (attached). The A-133 audit replaces RUS's annual audit requirements. Outstanding RUS loan balances should not be utilized in calculating the Federal financial assistance expended.
4. The borrower will provide management reports as outlined in RUS Instruction 1780-47 as follows:
 - a. Form RD 442-2, "Statement of Budget Income and Equity" must be submitted to the RUS Loan Official prior to the beginning of the borrower's fiscal year. Only Column 3 of Page 1 and all of Schedule 2 needs to be completed.
 - (1) Two copies of the management reports and proposed Annual Budget.
 - (2) Financial information may be reported on Form RD 442-2 which includes Schedule 1, "Statement of Budget, Income and Equity" and Schedule 2, "Projected Cash Flow" or information in similar format.
 - (3) A copy of the rate schedule in effect at the time of submission.
 - b. Not later than 20 days after each of the first three quarters of each year the borrower will submit Form RD 442-2 to the RUS Loan Official providing all the information on Schedule 1 of the form. The report for the fourth quarter may be submitted not later than 60 days for an unaudited report or 90 days for an audited report.

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James M. Harkins, County Executive
Harford County

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- c. Should the borrower have a gross annual income in excess of \$100,000, the borrower will submit an annual audit that has been prepared in accordance with the RUS audit guide.
- d. A list of the names and addresses of all members of the borrower's governing body indicating their officers' terms of office will be provided with the other information at the end of the borrower's fiscal year.

If the audit is received within 150 days following the period covered by the audit, the RUS Loan Official may authorize an annual audit to substitute for financial management reports.

Positive Processing Schedule

A positive schedule from the borrower concerning advertisements and construction commencement must be submitted to the Rural Utilities Service within 30 days of being notified of the availability of funding.

Procurement

All procurement shall be in accordance with RUS Instruction 1780-70, and at a minimum shall provide for the following:

1. The borrower must maintain a code or standards of conduct which shall govern the performance of its officers, employees, or agents in contracting with and expending RUS loan funds.
2. All procurement transactions shall be conducted in a manner so as to provide maximum open and free competition. Performance specifications and the term "or equal" may be used. For more detail on specifications see RUS Instruction 1780-70(a)(1) and (2).
3. Invitations for bids shall be based upon clear and accurate descriptions of the technical requirements. Such description shall not contain features which unduly restrict competition.
4. Solicitation of offers, whether by competitive sealed bid or competitive negotiation shall:
 - a. Incorporate a clear and accurate description of the technical requirements for the material, product or service to be procured.
 - b. Clearly specify all requirements which offerors must fulfill and all other factors to be used in evaluation of bids or proposals.
 - c. Not contain features which unduly restrict competition.

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Harford County

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5. Affirmative steps shall be taken to assure that small and minority businesses are utilized when possible as sources of supplies, equipment, construction and services. Affirmative steps shall include the following:
 - a. Include qualified small and minority businesses on solicitation lists.
 - b. Assure that small and minority businesses are solicited whenever they are potential sources.
 - c. When economically feasible, divide total requirements into small tasks or quantities so as to permit maximum small and minority business participation.
 - d. Where the requirement permits, establish delivery schedules which will encourage participation by small and minority businesses.
 - e. Use the services and assistance of the Small Business Administration and the Office of Minority Business Enterprise of the Department of Commerce.
 - f. If any subcontracts are to be let, require the prime contractor to take the affirmative steps in the above paragraphs a through e of this section.
6. Owners shall take similar appropriate affirmative action in support of women's businesses.
7. Owners are encouraged to procure goods and services from labor surplus areas.
8. In accordance with the intent of Congress as expressed in the FY 1998 Appropriations Act, recipients of Water and Waste assistance provided by the Rural Utilities Service are encouraged, in expending the assistance, to purchase only American-made equipment and products.
- * 9. Owners shall submit a written statement or other evidence to RUS of the steps taken to comply with the above paragraphs of this section.

Construction and Development

1. A full-time resident inspector is required for all construction. Prior to the pre-construction conference the borrower must submit a resume of the qualifications of the resident inspector to the RUS for acceptance in writing. *

James M. Harkins, County Executive
Harford County

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2. The project will be put out for construction bids within six (6) months following notice that RUS funds are available for the project. If this does not take place, the RUS reserves the right to cancel the obligation of funds.
3. The borrower shall be responsible for maintaining a contract administration system to monitor the contractors' performance and compliance with the terms, conditions, and specifications of the contracts.
4. All development will be completed by contract in accordance with applicable RUS regulations. Your engineer will be responsible for maintaining a close liaison with the RUS engineer to insure compliance with our procedures.
5. All contracts, change orders, specifications, and drawings are to be approved or rejected by RUS. The owner's attorney will review the executed contract documents, including performance and payment bonds, and will certify that they are adequate, and that the persons executing these documents have been properly authorized to do so. It must be fully understood that these documents are not valid without the signature of the RUS representative. No change order will be approved by RUS for increases in construction contract costs until the funds for the increased costs are available.
6. The borrower shall obtain professional engineering services through a written contract, which shall be subject to agency concurrence. Per RUS regulation and State code, the engineer signing the agreement shall be licensed to practice engineering by the Maryland Board of Professional Engineers. The borrower's agreement with the engineer shall include the name of the individual licensed engineer who will be in direct responsible charge of the project, and that person will be the point of contact throughout the project for the borrower and RUS personnel.
7. Standard construction contract documents are available from RUS. This includes the contract, pay estimates, and change orders. Should the borrower wish to use a different form which provides adequate information, and is legally sufficient as determined by RUS Loan Official and the Office of General Counsel and the RUS regulations do not require the use of the particular form, then the borrower may do so.
8. The borrower will provide RUS with evidence of approval from the appropriate regulatory agency for the plans and specifications of this facility.

James M. Harkins, County Executive
Harford County

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9. Copies of daily inspection reports completed by the resident inspector will be forwarded to the RUS Loan Official. In addition, the resident inspector must maintain and keep available for RUS inspection a hard-bound diary. It should have numbered pages and all entries should be made in ink. The diary will become the property of the borrower after final inspection.
10. The borrower may submit Form SF-271, "Outlay Report and Request for Reimbursement for Construction Programs", to the RUS Loan Official with each Form RUS 1924-18, "Partial Payment Estimate."

Prior to beginning construction or upon notice of RUS approval of plans and specifications, the borrower will schedule a pre-construction conference where RUS will review the planned development with the owner, its architect, construction manager and other interested parties. The Conference will thoroughly cover applicable items included in Form RD 1924-16, "Record of Preconstruction Conference", and the discussions and agreements will be documented. Form RD 1924-16 may be used for this purpose.

All project funds, regardless of source, to be used on this project will be deposited in a special construction account. The use of Form RD 402-2, "Statement of Deposits and Withdrawals", or similar form to monitor funds shall be utilized. It is to be clearly understood that the RUS may audit this account at any time after giving reasonable notice. The borrower must set up a procedure under which the RUS Loan Official is to approve all bills or vouchers which are to be paid out of the special construction account. Failure to obtain prior approval for any payment may be grounds to disallow payment eligibility for loan or grant reimbursement.

Facilities for Public Use. All facilities financed by RUS shall be for public use and primarily serve rural residents.

Utility-type service facilities will be installed so as to serve any user within the service area who desires service and can be feasibly and legally served. Applicants and borrowers must obtain written concurrence of the RUS prior to refusing service to such user. Upon failure to provide service which is reasonable and legal, such user shall have direct right of action against the applicant/borrower. A notice of the availability of this service should be given by the applicant/borrower to all persons living within the area who can feasibly and legally be served by the phase of the project being financed.

Design Policies. Facilities financed by RUS will be designed and constructed in accordance with sound engineering and architectural practices, and must meet the requirements of Federal, State and local agencies.

James M. Harkins, County Executive
Harford County

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1. Environmental Review. Facilities financed by the Agency must undergo an environmental impact analysis in accordance with RUS requirements. Facility planning and design must not only be responsible to the owner's needs but must consider the environmental impacts of the proposed project. Facility designs shall incorporate and integrate, where practicable, mitigation measures that avoid or minimize adverse environmental impacts. Applicants may not take any action on a project proposal that will have an adverse environmental impact or limit the choice of reasonable project alternatives being reviewed prior to the completion of the Agency environmental review.
2. Growth Capacity. Facilities should have sufficient capacity to provide for reasonable growth to the extent practicable.
3. Pipe. All pipe used shall meet current American Society for Testing Materials (ASTM) or American Water Works Association (AWWA) standards.
4. Mitigation Measures. RUS has completed an environmental assessment in which we have identified all adverse environmental impacts, both direct and indirect. We have considered the impacts with regards to least adverse impacts to the environment. The following measures will be included in your proposal:
 - a. The borrower must carry out the recommendations contained in the Clearinghouse letter dated April 7, 2000. Copy attached as Exhibit A.
 - b. The borrower will ensure that modern erosion and sediment control measures are employed during construction and that these measures are approved by the Soil Conservation District.
12. Year 2000 Problem. The Design Engineer shall ensure that the specifications require that all automated equipment in the system is Year 2000 compliant.

Other Conditions Which Must Be Met

It is to be understood that the loan and grant cannot be closed until all closing requirements to be issued by the Office of the General Counsel have been complied with.

Interim financing from commercial sources will be obtained during the construction period. Upon approval of the terms and interest rate of the interim financing, RUS will issue a letter of commitment to the proposed lender. The commitment letter will not be issued until the Office of the General Counsel has issued an opinion that the RUS loan closing can proceed.

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James M. Harkins, County Executive
Harford County

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The Borrower must adopt a mandatory use ordinance before the RUS loan is closed or the commencement of construction, whichever occurs first. The form of this ordinance should be approved by RUS prior to its being adopted.

The borrower agrees to graduate to other credit at reasonable rates and terms when they are able to do so.

The borrower agrees to execute Form RD 1910-11 "Application Certification, Federal Collection Policies for Consumer or Commercial Debts" prior to loan closing or start of construction, whichever occurs first.

Form RD 400-4, "Assurance Agreement", must be executed by the borrower. The following covenant must be included in each instrument of conveyance for real property purchase with RUS funds subject to Title VI of the Civil Rights Act of 1964.

"The property described herein was obtained or improved through federal financial assistance. This property is subject to the provisions of Title VI of the Civil Rights Act of 1964 and the regulations issued pursuant thereto for so long as the property continues to be used for the same or similar purpose for which financial assistance was extended or for so long as the purchaser owns it, whichever is longer."

The borrower must display the nondiscrimination poster, "And Justice for All" at the facility and at the borrower's offices.

The borrower must maintain for review by RUS, records showing the extent to which members of minority groups are benefitted by the facility. The records will include data to identify recipient as white, negro or black, American Indian, Spanish Surname, oriental, and other.

The borrower must execute Form RD 400-1, "Equal Opportunity Agreement".

Any development work started or completed prior to loan approval must meet the requirements previously set forth. An audit report will be required for all funds for which reimbursement is required along with proof that all contractual requirements to date of loan approval have been met, and that the borrower accepts the work as completed to the date of loan approval.

All facilities intended for or accessible to the public or in which physically handicapped persons may be employed or reside must be developed in compliance with the Architectural Barriers Act of 1968 (P.L. 90-480) as implemented by the General Services Administration

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James M. Harkins, County Executive
Harford County

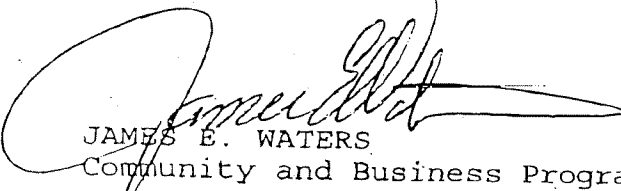
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regulations 41 CFR 101-19.6 and Section 504 of the Rehabilitation Act of 1973 (P.L. 93-112) as implemented by 7 CFR, Parts 15 and 15b. The standards that must be met were published in the Federal Register on August 7, 1984 as "The Uniform Federal Accessibility Standards."

For all public media notices, borrower is required to acknowledge that funding was obtained from USDA/Rural Utilities Service.

Three additional copies of this letter and all RUS Instructions mentioned are attached for your use. We will be available to meet with you, your attorney, and engineer to discuss the terms set forth in this letter.

Sincerely,



JAMES E. WATERS
Community and Business Programs Director

Enclosures

cc: Mr. Hayden J. Anthony

loc/harford

EXHIBIT B

UNITED STATES OF AMERICA
STATE OF MARYLAND
HARFORD COUNTY, MARYLAND

No. 1

_____, 2004
\$210,000

HARFORD COUNTY, MARYLAND, a body politic and corporate, organized and existing under the Constitution and laws of the State of Maryland, hereby acknowledges itself indebted and, for value received, promises to pay to the United States Department of Agriculture, Department of Rural Economic and Community Development or its registered successor or assigns, the principal sum of

TWO HUNDRED TEN THOUSAND DOLLARS

with interest at the rate of _____ percent (____%) per annum in any coin or currency of the United State of America, which at the respective times of payment is legal tender for the payment of public and private debts, as follows:

Interest only shall be paid on this bond for the first ____ days from the date hereof.

The principal sum together with interest at the rate of _____ per centum (____%) per annum shall be payable in quarterly installments of principal and interest, of _____ Dollars (\$_____) commencing twelve months from the date hereof, and on the _____ days of _____ and _____ thereafter up to and including the _____ day of _____, 2044, when the entire unpaid principal and all accrued and unpaid interest shall be due and payable. The principal and interest on the Bond may be prepaid, at the option of Harford County, Maryland, at any time, or from time to time, in whole or in part, without penalty.

Both the principal of and interest on this bond will be paid in lawful money of the United States of America, at the time of payment at _____, _____ Delaware.

This bond is issued pursuant to and in full conformity with the Constitution and Laws of the State of Maryland, the Charter of Harford County, Maryland and by virtue of due proceedings had and taken by the County Council of Harford County, Maryland, by Bill No. 04-12 (the "Bill") adopted on _____, 2004.

The full faith and credit and unlimited taxing power of Harford County, Maryland is pledged to the punctual payment of the principal of and interest on this bond according to its terms, and Harford County, Maryland covenants and agrees punctually to pay the principal of this bond and the

interest thereon, at the dates and in the manner mentioned herein, according to the true intent and meaning thereof.

It is hereby certified and recited that each and every act, condition and thing required to exist, to be done, to have happened and to be performed precedent to and in the issuance of this bond, does exist, has been done, has happened and has been performed in full and strict compliance with the Constitution and the laws of the State of Maryland, the Charter of Harford County, Maryland and the Resolution and Ordinance of the County Council of Harford County, Maryland above referred to, and that the issue of bonds together with all other indebtedness Harford County, Maryland is within every debt and other limit prescribed by the Constitution and laws of said State, and that due provision has been made for the levy and collection, if and when necessary, of an annual ad valorem tax or taxes upon all the legally assessable property within the corporate limits of Harford County, Maryland, as prescribed by law, in rate and amount sufficient to provide for the payment, when due, of the interest on and the principal of this bond.

IN WITNESS WHEREOF, Harford County, Maryland has caused this bond to be executed in its name by the manual signature of its County Executive and have also caused its corporate seal to be imprinted hereon, attested by the manual signature of its Director of Administration, all as of the _____ day of _____, 2004.

HARFORD COUNTY, MARYLAND

By: _____
James A. Harkins
County Executive

ATTEST:

By: _____
John J. O'Neil, Jr.
Director of Administration

TLM\B:\HARFORD CO. WHITEFORD\WHITEFOR.BND
April 1, 2004